

BANK INDONESIA REGULATION  
NUMBER: 7/24/PBI/2005  
CONCERNING  
THE INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANKS  
BASED ON SHARIA PRINCIPLES

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to support the expeditious operation of the payments system in Indonesia, Bank Indonesia has launched the Bank Indonesia – Real Time Gross Settlement System (BI-RTGS System) and the Bank Indonesia National Clearing System;
  - b. whereas to avoid gridlock in the BI-RTGS System, which could endanger financial system stability, it is necessary for Bank Indonesia to provide the Intraday Liquidity Facility to Commercial Banks based on Sharia Principles in their capacity as members of the BI-RTGS System;
  - c. whereas to anticipate the possibility of default by Banks as members of the Bank Indonesia National Clearing System, Bank Indonesia also deems it necessary to provide an Intraday Liquidity Facility specifically for debit clearing settlement to Commercial Banks based on Sharia Principles other than for the objective set forth in letter b;
  - d. now therefore based on the considerations referred to in letter a, letter b, and letter c, it is deemed necessary to develop regulatory provisions concerning the Intraday Liquidity Facility for Commercial Banks based on Sharia Principles in a Bank Indonesia Regulation;
- In view of:
- 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State

- Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
  3. Bank Indonesia Regulation Number 5/3/PBI/2003 concerning the Short-Term Financing Facility for Sharia Banks (State Gazette of the Republic of Indonesia Number 13 of 2003, Supplement to the State Gazette of the Republic of Indonesia Number 4261) as amended by Bank Indonesia Regulation Number 7/23/PBI/2005 (State Gazette of the Republic of Indonesia Number 70 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4520);
  4. Bank Indonesia Regulation Number 7/18/PBI/2005 concerning the Bank Indonesia National Clearing System (State Gazette of the Republic of Indonesia Number 65 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4516);
  5. Bank Indonesia Regulation Number 6/2/PBI/2004 concerning the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) (State Gazette of the Republic of Indonesia Number 15 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4363);
  6. Bank Indonesia Regulation Number 6/8/PBI/2004 concerning the Bank Indonesia--Real Time Gross Settlement System (State Gazette of the Republic ...

the Republic of Indonesia Number 28 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4373);

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING THE INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANKS BASED ON SHARIA PRINCIPLES.

## CHAPTER I GENERAL PROVISIONS

### Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Bank” is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, conducting business based on sharia principles, and includes a Bank conducting conventional business concurrently with business based on sharia principles.
2. “Sharia Division”, hereinafter referred to as UUS, is a unit at the head office of a commercial bank conducting conventional business that functions as head office of sharia branch offices and/or sharia units, or a unit of a branch office of a foreign bank conducting conventional business that functions as head office of sharia sub-branch offices and/or sharia units.
3. “Bank Indonesia-Real Time Gross Settlement System,” hereinafter referred to as the BI-RTGS System, is a funds transfer system as defined in the Bank Indonesia Regulation concerning the Bank Indonesia-Real Time Gross Settlement System.
4. “Bank Indonesia - Scripless Securities Settlement System,” hereinafter referred to as BI-SSS, is a system for conducting electronic transactions with Bank Indonesia

and administration ...

and administration of securities as defined in the Bank Indonesia Regulation concerning the Bank Indonesia - Scripless Securities Settlement System.

5. “Bank Indonesia National Clearing System”, hereinafter referred to as SKNBI, is a clearing system operated by Bank Indonesia as defined in the Bank Indonesia Regulation concerning the Bank Indonesia National Clearing System.
6. “Debit Clearing” is the activity in the SKNBI for debit transfers as defined in the Bank Indonesia Regulation concerning the Bank Indonesia National Clearing System.
7. “Intraday Liquidity Facility for Commercial Banks based on Sharia Principles,” hereinafter referred to as FLIS, is the funding facility extended by Bank Indonesia to a Bank in the capacity of the Bank as member of the BI-RTGS System and SKNBI, which must be repaid on the same day as the day of use.
8. “Sharia Intraday Liquidity Facility for the RTGS,” hereinafter referred to as FLIS-RTGS, is a Sharia Intraday Liquidity Facility for resolving funding difficulties of a Bank during the operating hours of the BI-RTGS System.
9. “Sharia Intraday Liquidity Facility for Clearing,” hereinafter referred to as FLIS-Kliring, is a Sharia Intraday Liquidity Facility for resolving funding difficulties of a Bank arising during settlement of Debit Clearing results.
10. “Short-Term Financing Facility for Sharia Banks, ” hereinafter referred to as FPJPS, is the financing facility provided by Bank Indonesia to Banks as stipulated in the Bank Indonesia Regulation concerning the Short-Term Financing Facility for Sharia Banks;
11. “Bank Indonesia *Wadiah* Certificates,” hereinafter referred to as SWBIs, are certificates of short-term fund placements under the *wadiah* principle as stipulated in the Bank Indonesia Regulation governing SWBIs;
12. Interbank Money Market based on Sharia principles, hereinafter referred to as PUAS, is an interbank money market as stipulated in the Bank Indonesia Regulation governing the PUAS.

13. “Mudharabah” ...

13. “*Mudharabah*” is an agreement between an owner of funds and manager of funds for a business activity in which the profit is divided between the two parties on the basis of a ratio agreed in advance.

#### Article 2

- (1) A Bank may obtain a Sharia Intraday Liquidity Facility, whether in the form of FLIS-RTGS or FLIS-Kliring, after signing an Agreement for Use and Collateral Security for Sharia Intraday Liquidity Facility and submitting the required supporting documents to Bank Indonesia.
- (2) A Sharia Intraday Liquidity Facility received by a Bank as referred to in paragraph (1) shall apply the *Mudharabah* principle.

#### Article 3

A Bank may use a Sharia Intraday Liquidity Facility as referred to in Article 2 paragraph (1) subject to meeting the following requirements:

- a. holds SWBIs, securities, and/or claims issued by the government based on sharia principles that may be used as collateral;
- b. is not under suspension as member Bank of the BI-RTGS and/or member of the BI-SSSS, and/or terminated as member of the SKNBI; and
- c. is not under imposition of sanctions preventing it from obtaining the FPJPS.

#### Article 4

Bank Indonesia has the power to reject or terminate use of the Sharia Intraday Liquidity Facility if a Bank no longer meets the requirements referred to in Article 3.

## Article 5

- (1) Collateral as referred to in Article 3 shall be free of encumbrances, not under pledge, or not assigned in any way whatsoever to any other person or parties or Bank Indonesia, and shall not be subject of any criminal case or legal dispute.
- (2) Collateral as referred to in Article 3 may not be bought and sold and/or repledged by the Bank.
- (3) Calculation of the value of SWBIs, securities, and/or claims issued by the government on the basis of sharia principles usable as collateral as referred to in Article 3 letter (a) shall be subject to the regulatory provisions concerning collateral as referred to in the applicable Bank Indonesia Regulation governing the Short-Term Financing Facility for Sharia Banks.
- (4) The maximum value of Sharia Intraday Liquidity Facility that may be used by a Bank is the value of collateral as referred to in paragraph (3) that is transferred by the Bank to the securities collateral account in the BI-SSSS facility.

## Article 6

- (1) Securing as collateral of SWBIs, securities, and/or claims issued by the government on the basis of sharia principles and usable as collateral as referred to in Article 3 letter a for collateral security of FLIS-RTGS and/or FLIS-Kliring shall be conducted by means of the BI-SSSS facility as follows:
  - a. For FLIS-RTGS, the Bank must transfer the securities to the FLIS-RTGS collateral account in the BI-SSSS during the operating hours of the BI-RTGS System when the Bank deems that a need exists for the Sharia Intraday Liquidity Facility (self-assessment) to expedite transactions in the BI-RTGS System; and
  - b. For FLIS-Kliring, the Bank must transfer the securities to the FLIS-Kliring collateral account in the BI-SSSS for prefund as stipulated in the Bank

Indonesia Regulation concerning the Bank Indonesia National Clearing System.

- (2) SWBIs, securities, and/or other claims transferred to the FLIS-Kliring collateral account as referred to in paragraph (1) letter b may not be pledged as collateral for FLIS-RTGS.

#### Article 7

- (1) Use of the FLIS-RTGS shall take place automatically when the Rupiah demand deposit of a Bank at Bank Indonesia has insufficient balance for an outgoing transaction insofar as there is sufficient collateral value for the Sharia Intraday Liquidity Facility in the FLIS-RTGS and FLIS-Kliring collateral accounts.
- (2) Use of FLIS-Kliring shall take place automatically when the Rupiah demand deposit of a Bank at Bank Indonesia has insufficient balance to meet the obligations of the Bank from settlement of debit clearing insofar as there is sufficient collateral value for the Sharia Intraday Liquidity Facility in the FLIS-RTGS and FLIS-Kliring collateral accounts.
- (3) If the FLI-Kliring collateral value is insufficient to cover debit clearing settlement obligations as referred to in paragraph (2) and paragraph (3), the available FLIS-RTGS collateral value in the FLIS-RTGS collateral account shall be automatically used to cover the Debit Clearing settlement obligations.

#### Article 8

Bank Indonesia may restrict the types of transactions for which use of the Sharia Intraday Liquidity Facility is permitted.

## Article 9

Bank Indonesia shall earn a fee for each Sharia Intraday Liquidity Facility used by Sharia Banks.

## Article 10

- (1) Repayment of the Sharia Intraday Liquidity Facility shall be executed automatically by the BI-RTGS System in each case of an incoming transaction credited to the Rupiah demand deposit account of the Bank concerned at Bank Indonesia until the deadline for repayment of the Sharia Intraday Liquidity Facility.
- (2) The Bank shall repay the Sharia Intraday Liquidity Facility within the deadline stipulated by Bank Indonesia for repayment of the Sharia Intraday Liquidity Facility.
- (3) If the Sharia Bank does not repay the value of the Sharia Intraday Liquidity Facility within the prescribed deadline for repayment of the Sharia Intraday Liquidity Facility, the unrepayable value of the Sharia Intraday Liquidity Facility shall be treated as FPJPS.

## Article 11

- (1) Banks may return SWBIs, securities, and/or other claims from the collateral account to the trading account if:
  - a. the Sharia Intraday Liquidity Facility is repaid as referred to in Article 10;
  - b. the securities transferred to the collateral account are not being used as collateral for an Intraday Liquidity Facility.
- (2) The return of SWBIs, securities, and/or other claims from the collateral account to the trading account as referred to in paragraph (1) for the needs of FLIS-Kliring



shall be subject to the Bank Indonesia Regulation governing the Bank Indonesia National Clearing System.

#### Article 12

If a Sharia Intraday Liquidity Facility as treated as FPJPS as referred to in Article 10 Paragraph (2):

- a. the Bank shall be subject to the applicable Bank Indonesia Regulation concerning the Short-Term Funding Facility for Sharia Banks; and
- b. the collateral for the Sharia Intraday Liquidity Facility shall be treated as collateral for FPJPS.

#### Article 13

- (1) If the Sharia Bank is unable to repay a Sharia Intraday Liquidity Facility due to failure of the BI-RTGS System and/or BI-SSSS, the Sharia Intraday Liquidity Facility shall be repaid automatically in the event of any incoming transaction immediately after the BI-RTGS System and/or BI-SSSS system has resumed operation.
- (2) In the event of such outage, the Member Bank of the BI-RTGS shall notwithstanding be required to repay the Sharia Intraday Liquidity Facility within the stipulated deadline.

#### Article 14

Any clearing Bank within a Clearing area that has not applied the SKNBI may use the FLIS-RTGS for settlement of clearing obligations occurring prior to the cut off warning for the BI-RTS System.

Article 15

Further provisions concerning the procedure for provision of the Sharia Intraday Liquidity Facility shall be stipulated in a Circular Letter of Bank Indonesia.

Article 16

This Bank Indonesia Regulation shall come into force on August 3, 2005.

Enacted in Jakarta

Dated August 3, 2005

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 7/24/PBI/2005  
CONCERNING  
THE INTRADAY LIQUIDITY FACILITY  
FOR SHARIA BANKS

GENERAL REVIEW

The BI-RTGS System has been implemented to support the unimpeded operation of the payments system in Indonesia, specifically in the area of interbank settlements. With the introduction of the BI-RTGS system, in which payment transactions are settled one by one in real time, there is the possibility of funding difficulties arising from mismatch between the timing and/or value of outgoing transactions and incoming transactions. Such difficulties if sustained by one or more Banks without immediate resolution are feared could lead to gridlock in the payment system that could destabilize the overall financial system.

To resolve gridlocks in the payments system as described above, Bank Indonesia deems it necessary to extend a funding facility based on sharia principles for extremely short periods during the operational hours of the BI-RTGS System in the form of the FLIS-RTGS facility that must be repaid by the Bank at the end of the same day.

In addition, to anticipate possible Bank default as member in the SKNBI, Bank Indonesia also deems necessary to provide a funding facility based on sharia principles for extremely short periods during operational hours in the form of the FLIS-Kliring that must be repaid at the end of the same day.

The provision of the Sharia Intraday Liquidity Facility is consistent with the performance of the tasks of Bank Indonesia in maintaining the expeditious operation of

the payments ...

the payments system, as stipulated in Article 15 of Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004.

## ARTICLE BY ARTICLE

### Article 1

Self-explanatory.

### Article 2

Self-explanatory.

### Article 3

#### Letter a

To be used as collateral, SWBIs, securities, and/or other claims shall be those held by the Bank using the Sharia Intraday Liquidity Facility and recorded in the BI-SSSS facility.

#### Letter b

Criteria for suspension are subject to the applicable Bank Indonesia Regulation concerning Bank Indonesia – Real Time Gross Settlement and/or the applicable Bank Indonesia Regulation concerning the Bank Indonesia – Scripless Securities Settlement System and/or the Bank Indonesia Regulation concerning the Bank Indonesia National Clearing System.

#### Letter c

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

Letter a

Self-explanatory.

Letter b

"Prefund" is defined as the provision of funds and/or securities by a member Bank of the SKNBI at the beginning of day before commencement of Debit Clearing. In these provisions, the prescribed prefund is in the form of securities.

Paragraph (2)

Self-explanatory.

Article 7

Paragraph (1)

“Automatic use of the FLI-RTGS” is defined as immediate use of the collateral value of securities pledged by the Bank to cover any insufficient balance in the Rupiah demand deposit account of the Bank at Bank Indonesia.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Self-explanatory.

Article 10

Paragraph (1)

If a Bank continues to use all or part of a Sharia Intraday Liquidity Facility approved by Bank Indonesia, the BI-RTGS System shall automatically apply funds from incoming transactions for repayment of the Sharia Intraday Liquidity Facility.

The process of use and repayment of a Sharia Intraday Liquidity Facility shall continue until the deadline for repayment of the Sharia Intraday Liquidity Facility.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

## Article 11

Self-explanatory

## Article 12

In the event that the Sharia Intraday Liquidity Facility is treated as FPJPS, the Bank shall not need to submit a written application for FPJPS in respect of conversion of unrepayable Sharia Intraday Liquidity Facility to FPJPS.

If the Bank is using and extending the term of FPJPS, the value of the Sharia Intraday Liquidity Facility shall be combined into the value of the FPJPS in use by the Bank and the number of days that the FPJPS has been used by the Bank.

## Article 13

## Paragraph (1)

Failure of the BI-RTGS system is defined as failure of the RTGS Central Computer (RCC) rendering all BI-RTGS Member Banks and/or Bank Indonesia unable to send transactions from RTGS terminals (RTs) to the RCC.

Outage of one or more RTs and/or outage of the RTGS network rendering one or more BI-RTGS Member Banks unable to send transactions to the RCC shall not be deemed as failure of the BI-RTGS System.

Failure of the BI-SSSS System is defined as failure of the System Central Computer (SCC) in the BI-SSSS installation, rendering all Banks and/or Bank Indonesia unable to send transactions from system terminals (STs) to the SCC.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Key points of the provisions to be stipulated in the Circular Letter of Bank Indonesia include the following:

1. Procedure for submission of the Agreement for Use and Collateral Security of the Sharia Intraday Liquidity Facility;
2. Procedure for calculation and charging of fees for use of the Sharia Intraday Liquidity Facility;
3. Procedure for transfer of securities from the trading account to the collateral account, and vice-versa;
4. Deadline for use and repayment of an Intraday Liquidity Facility.